



***IDAHO STATE TREASURER'S OFFICE
LGIP & DBF 2010 2ND QUARTER
REVIEW & OUTLOOK***

ECONOMIC HIGHLIGHTS

❖ What has happened:

- ❖ Economic growth slowing down, but still positive for 2nd Quarter
 - ❖ Second quarter GDP was 1.6%
- ❖ Risks of the economy having a double dip recession are increasing, but still very unlikely
 - ❖ Mark Zandi, with Moody's, recently stated the chances are now 33% up from 20% three months ago
- ❖ The reasons for the renewed nervousness
 - ❖ Unemployment
 - ❖ Consumer's
 - ❖ Housing Market
 - ❖ Domestic & Foreign Events

ECONOMIC HIGHLIGHTS

❖ What's going to happen:

- ❖ Yields are going to remain at historically low levels from the continued “stresses” in the economy
 - ❖ Unemployment, Consumer's, Housing, Inflation
- ❖ Investors are waiting to see the outcome of mid-term elections
 - ❖ Historically the markets have performed better when the Republicans take control of the House and Senate
- ❖ Continue to work through the “painful” process of deleveraging consumer balance sheets
 - ❖ Savings rate remains elevated at 5.9%
- ❖ The “canary in the coal mine” is unemployment
 - ❖ Companies eventually will have to hire to keep up with demand

ECONOMIC HIGHLIGHTS

❖ Most importantly what is the Fed doing:

- ❖ They continued to keep the target Fed funds rate at 0 – 0.25%
- ❖ Continued to hold Treasuries, Agencies, and Mortgage backed securities
- ❖ Recently announced the re-investment of maturing Agencies and Mortgages into Treasuries
- ❖ They have no plans of using more tools to stimulate economic growth

❖ What do we see the Fed doing:

- ❖ Fed continuing to keep rates low to stimulate the economy
- ❖ Keep rates unchanged into the second half of 2011 and potentially longer depending on the pace of economic recovery
 - ❖ Fed Funds futures are predicting that rates will be unchanged till August 2011

LOCAL GOVERNMENT INVESTMENT POOL

SHORT-TERM INTEREST RATES

❖ Short-term interest rates over Q2

- ❖ 3-month: -1 basis point
- ❖ 6-month: -4 basis points
- ❖ 1-year: -11 basis points

❖ Current Rates:

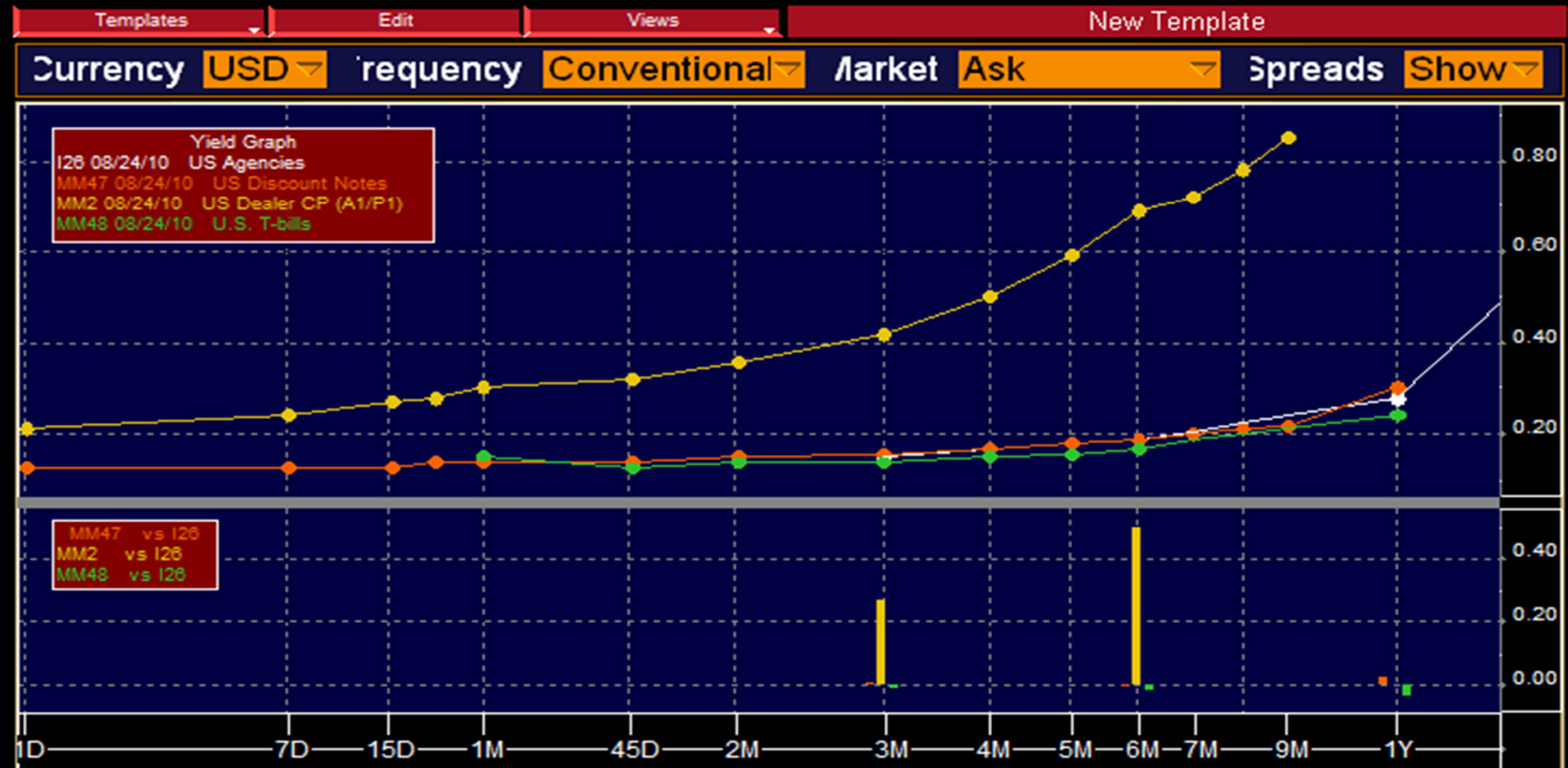
Term	Treasuries	Agencies
3-Month	0.15%	0.19%
6-Month	0.19%	0.21%
1-Year	0.24%	0.25%

INVESTMENT COMPARISON

YCRV
<Menu> to return to current template.

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Yield Graph



Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000
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YIELD CURVE

<HELP> for explanation.

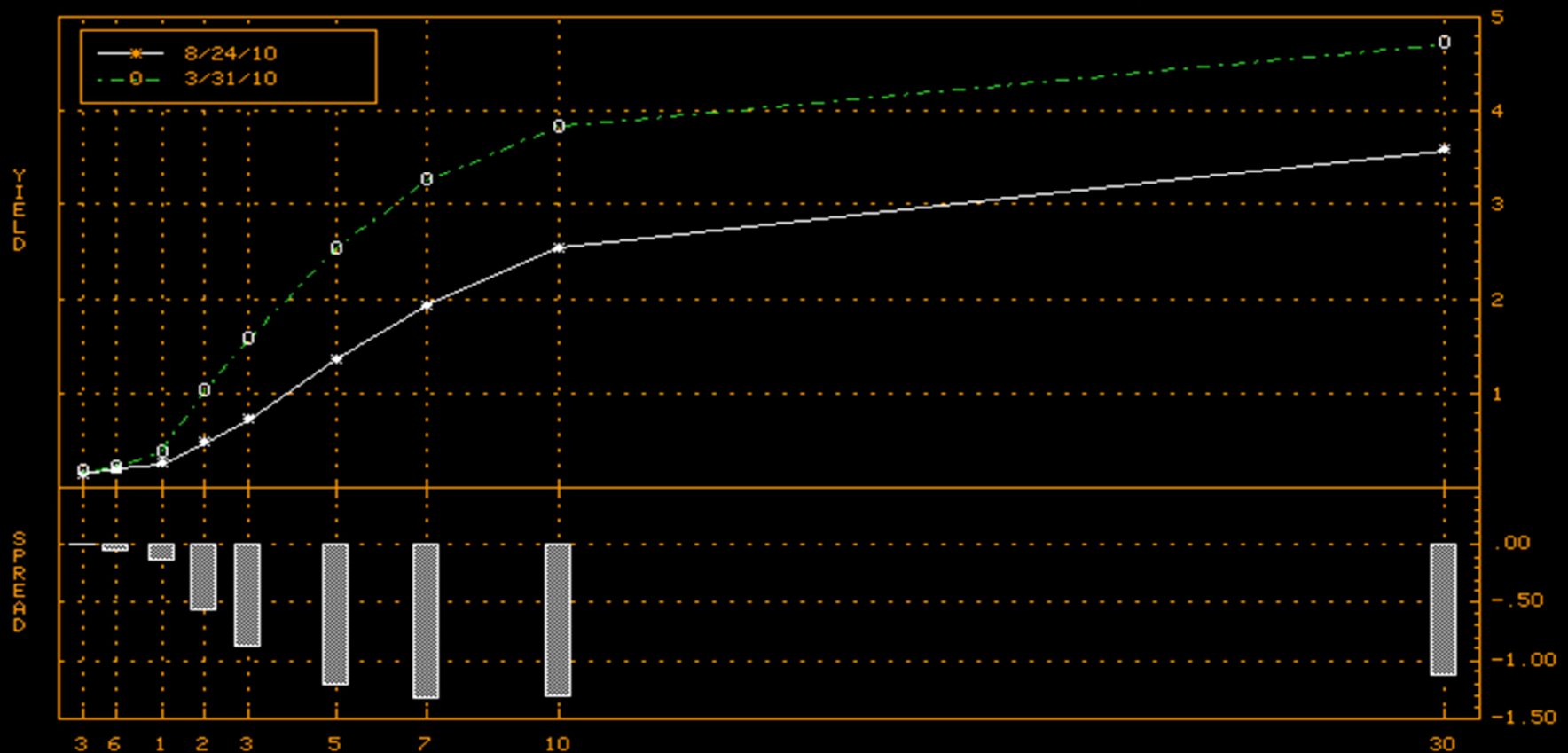
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HISTORICAL YIELD CURVE

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DATE RANGE **3/31/10** **8/24/10**

MTY RANGE **3M** **30Y**

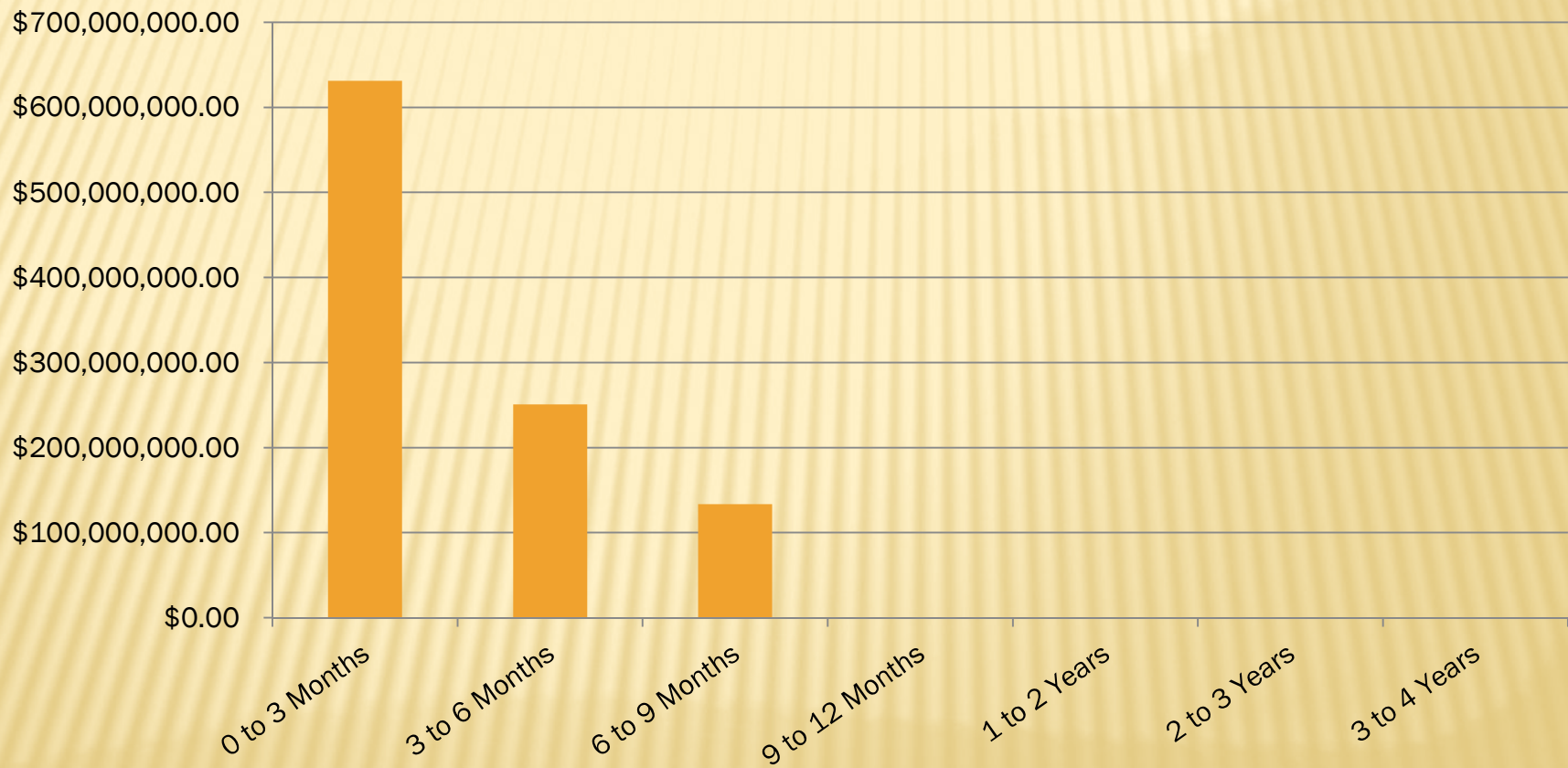


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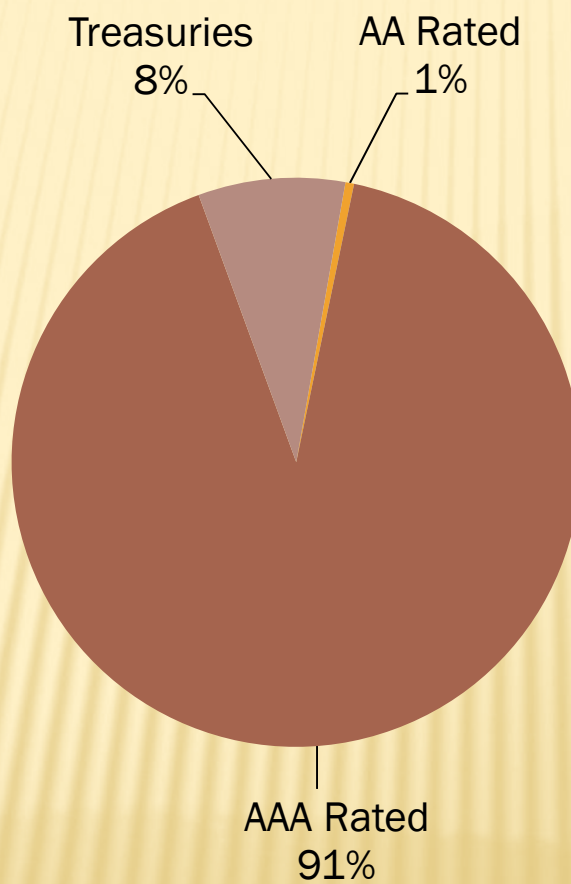
LGIP ATTRIBUTES

JULY 2010		
	LGIP	90 DAY CONSTANT MATURITY
Yield to Maturity	0.26%	0.16%
Weighted Average Maturity	82 days	90 days
Effective Duration	0.22 years	0.25 years
Amortized Book Value	\$1,015,334,213.56	
Market Value	\$1,016,025,242.28	
Net Asset Value	1.0007	

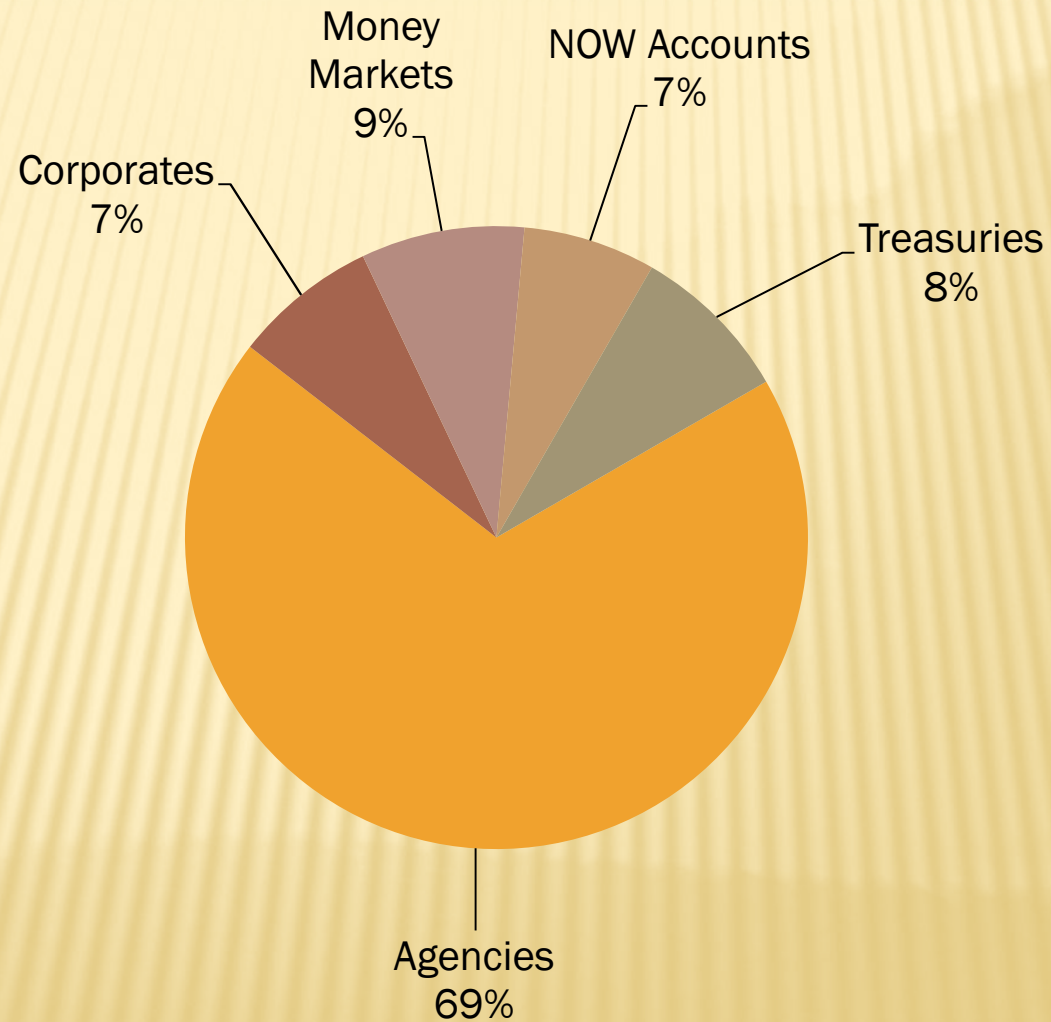
LGIP DURATION DISTRIBUTION



LGIP QUALITY DISTRIBUTION



LGIP SECTOR DISTRIBUTION



PORTFOLIO STRATEGY

- ❖ Continue to favor coupon and discount issues over callable issues, since we are not rewarded for taking on the option risk
- ❖ Continue to diversify through the purchase of FDIC insured corporates
 - ❖ During the second week of August we were one of the largest buyers of TLGP paper, causing near record weekly volume for 2010
- ❖ Continue to ladder out maturities to meet future anticipated cash needs
- ❖ Maintain 7.5 - 10% cash to meet unexpected withdrawals

DIVERSIFIED BOND FUND

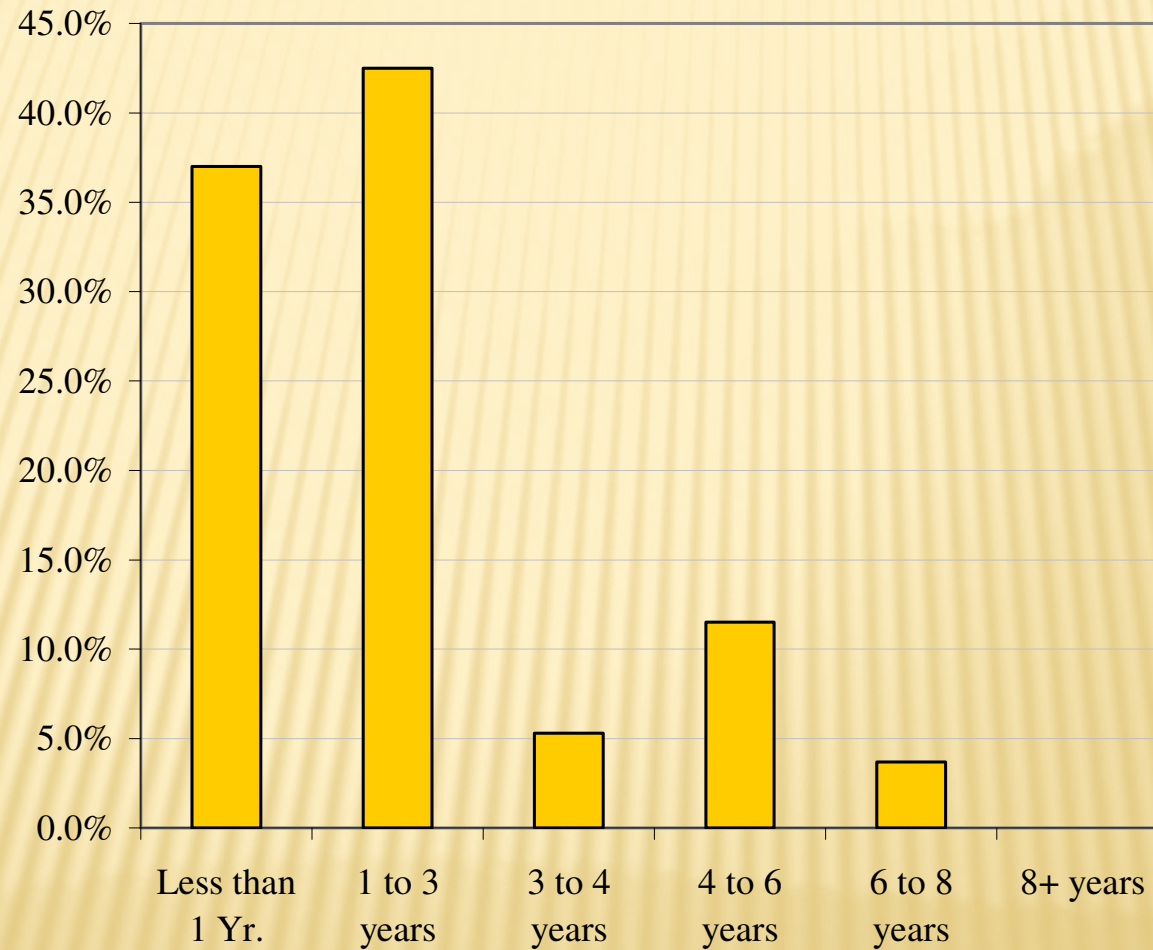
PORTFOLIO STRATEGY

- ❖ Maintain relatively “short duration” stance
- ❖ Incremental return through government agency mortgages and other sectors as opportunities are presented
- ❖ Maintain relatively conservative quality position
- ❖ Sector and quality focus
- ❖ Emphasize care in not “chasing” yields

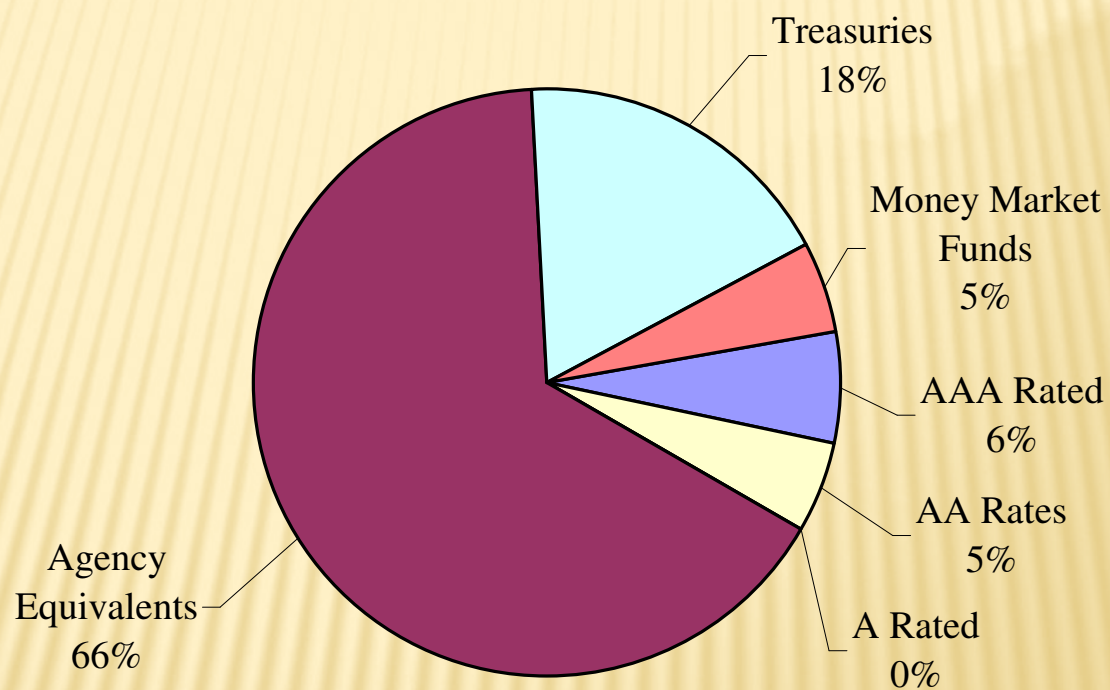
Diversified Bond Fund

JULY 2010		
	DBF	Barclay's Cap. Int. Agg. A Or Better Index
Yield to Maturity	1.7%	2.0%
Weighted Average Maturity	3.0 years	3.9 years
Effective Duration	1.9 years	3.1 years
Amortized Book Value	\$387,176,302.49	
Market Value	\$407,240,886.35	

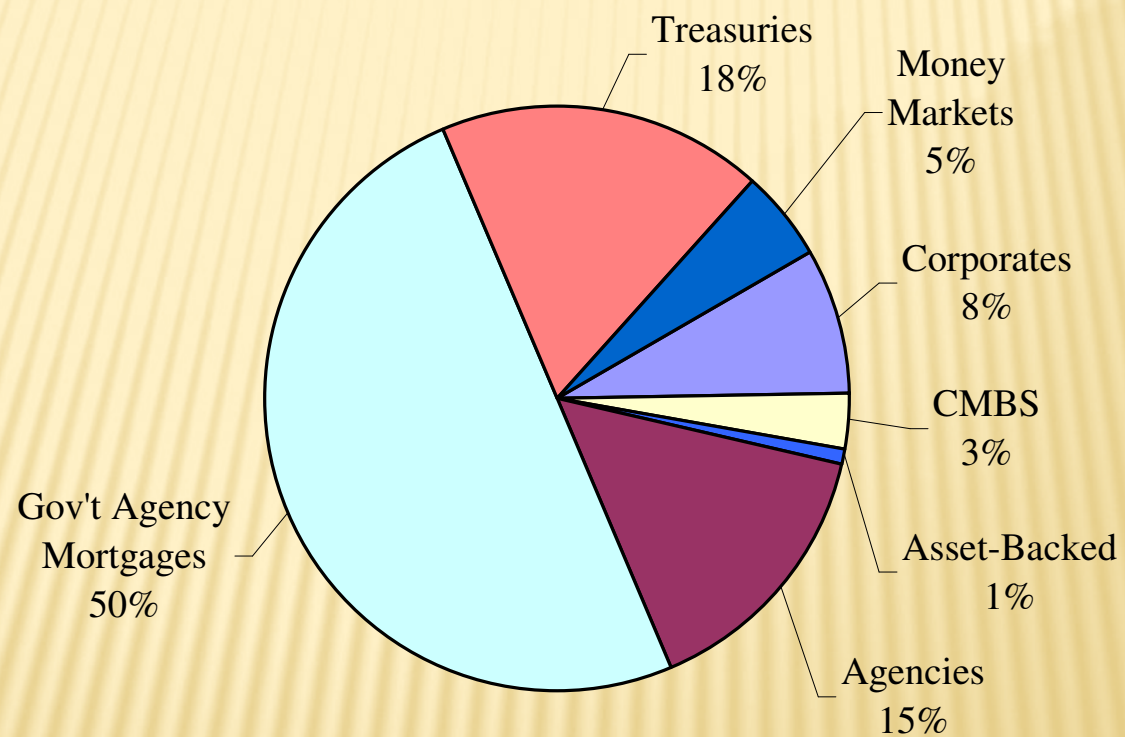
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DBF SECTOR DISTRIBUTION



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